GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:3898
ANSWERED ON:22.08.2005
RESTRUCTURING OF FCI
Acharia Shri Basudeb;Khaire Shri Chandrakant Bhaurao;Thomas Shri P.C.;Verma Shri Ravi Prakash

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether Mc Kinsey and Company has since submitted its report for restructuring of Food Corporation of India (FCI);

(b) if so, the recommendations made therein;

(c) the current status of implementation of the recommendations alongwith action taken or proposed to be taken to implement these recommendation fully;

(d) whether the Government is considering any plan to privatise FCI;

(e) if so, the details thereof;

(f) whether any move is being contemplated for reducing the number of personnel under Public Distribution System (PDS); and

(g) if so, the details thereof and reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a): The Final Report of the study by M/s McKinsey & Co. to bring about substantial and sustainable efficiency improvements in the Food Corporation of India (FCI) `s functioning has been submitted on 17th July, 2005 and accepted by the Steering Committee in its meeting held on 28th July, 2005.

(b): The gist of the main recommendations made in the Report is at Annex.

(c): Recommendations made in the Report of M/s McKinsey & Co. are at various stages of implementation.

(d): No, Sir.

(e): Do not arise.

(f): No, Sir.

(g): Does not arise.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (B) OF THE UNSTARRED QUESTION NO. 3898 DUE FOR ANSWER ON 22.08.2005 IN THE LOK SABHA.

Main Recommendations in the Final Report of M/s McKinsey & Co.

The Final Report of M/s McKinsey & Co. has indicated the possibility of achieving savings upto Rs. 2200 cr over the next 18-24 months, using a broader mix of financing instruments, streamlining operations, increasing manpower productivity and reducing statutory costs. These are as under:

- Adopting a multi-tired debt structure and reducing working capital borrowings (Rs. 700-850 cr).

- Optimizing rail movement using a linear programme (Rs. 190-285 cr).

- Consolidating handling and road transportation contracts within regions and outsourcing to large logistic service providers (Rs. 180-200 cr).

- Purchasing consolidated requirement of gunny bags through open tender and reimbursing farmers/millers/arthias for supplying paddy in used gunnies (Rs. 60-90 cr).

- Procuring directly at FCI depots or rice mills in Punjab and Haryana (Rs. 50-60 cr).

- Renting excess capacity to third parties, i.e. private grain companies, logistic service providers (Rs. 40-50 cr).

- Appointing 3rd party agency to monitor stock movement by rail and to check transit losses (Rs. 25-50 cr).

- Reimbursing State agencies for stocks carried by them prior to actual delivery to the FCI (Rs. 25-50 cr)

- Revision of staffing norms and initiatives to increase staff productivity (Rs. 180-200 cr).

- Revising incentive norms, balancing labour capacity and retiring excess labour.(Rs. 160-255 cr)

- Reducing obligatory expenses by having the market intermediaries perform additional tasks in the mandis. (Rs. 90-110 cr).

- Reimbursement of procurement incidentals to State agencies to be bench marked to the cost incurred by the FCI; linking custody and maintenance charges to quality of storage infrastructure, and building year to year cost reduction/efficiency improvement clauses in the supplier contracts/Memorandum of Understanding with State agencies.